australianethical

ASX Announcement

Appendix 4E

For the year ended 30 June 2015

Australian Ethical Investment Limited and Controlled Entities
ABN 47 003 188 930

Results for announcement to the market

[All comparisons to year ended 30 June 2014]

	up / down	% movement		$'000
Revenues from ordinary activities	up	6%	to	21,171
Net profit after tax from ordinary activities (including significant items)	down	(23%)	to	1,970
Underlying net profit after tax (excluding significant items)	down	(21%)	to	2,454

Dividend information

	amount per share (cents)	franked amount per share (cents)	Franking Level
Interim 2015 dividend per share (paid 27 March 2014)	80.0	80.0	100%
Final 2015 dividend per share (to be paid 30 September 2015)	120.0	120.0	100%

Final dividend dates

Record date	**16 September 2015**
Payment date	**30 September 2015**

The Dividend Reinvestment Plan (DRP) will not operate in respect of this dividend.

	30 June 2015	30 June 2014
Net tangible assets per security	**$9.80**	**$8.80**

Additional Appendix 4E disclosure requirements can be found in the notes to the 2015 Australian Ethical Limited consolidated financial statements attached.

This report is based on the consolidated financial statements which have been audited by KPMG.

Australian Ethical Investment Limited and its Controlled Entities

ABN 47 003 188 930

Consolidated Financial Report for the year ended 30 June 2015

Australian Ethical Investment Limited and its Controlled Entities

ABN 47 003 188 930

Consolidated Financial Report - 30 June 2015

Contents

The Directors present their report together with the consolidated financial report of Australian Ethical Investment Limited (the Company) and its controlled entity, Australian Ethical Superannuation Pty Limited (together, the Group), for the year ended 30 June 2015 and the auditor's report thereon.

Directors

The Directors of the Company at any time during or since the end of the financial year are:

Stephen Gibbs BEc, MBA
Chair and Non-Executive Director

Stephen joined the Board in July 2012 as a Non-Executive Director and on 4 February 2013 was appointed Chair. He chairs the People, Remuneration and Nominations Committee, is a member of the Audit, Compliance and Risk Committee and is a director of Australian Ethical Superannuation Pty Limited.

Stephen was formerly Chair of the Responsible Investment Academy Advisory Council. From early 2000 he was CEO of ARIA, the trustee of the PSS and CSS – the superannuation schemes for federal government employees. When Stephen left ARIA in January 2008 it had close to $A20 billion under management. Prior to ARIA Stephen was the Executive Officer of the Australian Institute of Superannuation Trustees (AIST). His earlier career was in the trade union movement.

Other career highlights for Stephen include his personal invitation from the then UN General Secretary to join the steering committee and investor group which developed what became the United Nations Principles of Responsible Investment - UNPRI and membership of the ASX Corporate Governance Council from its inception until 2008.

Stephen is a director of Ecosystems Investment Management (Australia) Pty Ltd and an Expert Panel member of the Fair Work Commission.

Mara Bun BA
Non-Executive Director

Mara brings over 20 years of business and community experience to Australian Ethical. She was born and raised in Brazil, was educated in the US and was a financial analyst in Morgan Stanley's M&A and technology banking groups before moving to Australia in 1991. During the 1990s Mara was responsible for finance and administration at Greenpeace Australia and was head of policy and public affairs for Choice. She returned to investment banking as Senior Equities Analyst covering the Internet sector for Macquarie Bank during the dotcom period. She has been a Director of The Allen Consulting Group, head of research at Canstar, and Director of Business Development at the CSIRO. Mara was the founding CEO of Green Cross Australia between 2007 and 2014. Green Cross Australia is dedicated to empowering resilience to the impacts of climate change working with business, community and research networks using digital engagement models. Mara currently is a resilience strategist and is Non-Executive Director of Green Cross Australia and Enova Community Energy.

Tony Cole AO, BEc
Non-Executive Director

Tony was appointed as a Non-Executive Director on 4 February 2013. Tony is a member of the Investment Committee and the People, Remuneration and Nominations Committee.

For the past 17 years Tony has been a senior investment consultant and executive in Mercer's Investment Consulting business, including heading the business in the Asia Pacific region for more than five years. Tony recently ceased working with Mercer.

Prior to joining Mercer, Tony held several senior positions in the Commonwealth Public Service, including Secretary to the Treasury, Secretary of the Department of Health and Social Security, Deputy Secretary to the Department of the Prime Minister and Cabinet and Chair of the Industry Commission (now the Productivity Commission). Tony served as an Alternative Director of the World Bank and was Treasurer Paul Keating's principal economic adviser and head of office in the early years of the Hawke-Keating government.

Tony is currently a Trustee Director of the Commonwealth Superannuation Corporation and a member of the Advisory Board of the Northern Territory Treasury Corporation. He Chaired the Advisory Board of the Melbourne Institute for 10 years and was a longstanding member of the Australian Office of Funds Management Advisory Board.

Kate Greenhill BEc FCA GAICD
Non-Executive Director

Kate was appointed as a Non-Executive Director on 22 February 2013. Kate is Chair of the Audit, Compliance and Risk Committee, a member of the People, Remuneration and Nominations Committee and a director of Australian Ethical Superannuation Pty Limited.

Kate was formerly a Partner with PricewaterhouseCoopers assisting clients with advice and assurance in relation to financial statement audit opinions, accounting and regulatory developments, capital raisings, accounting for complex transactions, due diligence, valuations, compliance, risk management, organisational structure and the operation of controls.

Kate is a director, and member of the finance committee, for a not for profit organisation.

Phil Vernon BEc, MCom, MBA, FCPA, FAICD
Executive Director and Managing Director

Phil joined the Company as Chief Executive Officer in December 2009 and was appointed Managing Director in July 2010. He is also a director of Australian Ethical Superannuation Pty Limited.

Phil has over 30 years' experience in financial services including funds management, superannuation, corporate governance and industry regulation. He has extensive experience in strategy, people management and leadership.

Phil is a Director of not for profit organisations Planet Ark and Beyond Zero Emissions and of industry associations Responsible Investment Association of Australia and the Investor Group for Climate Change.

Company secretary

Tom May BA, LLB, MBA, FGIA

Tom has experience in the superannuation and distribution aspects of financial services law. He has been a lawyer since 1990 when he was a legal officer in the federal government. He subsequently worked in house with funds management and life insurance companies before working in private practice in London and Tokyo.

Subsidiary Board directors and Board committee members

Ruth Medd BSc, Dip Comp Science, CPA, MAICD
Chair and Non-Executive Director, Australian Ethical Superannuation Pty Limited

Ruth is Chair of the Company's wholly owned subsidiary Australian Ethical Superannuation Pty Limited and a member of the Company's Audit, Compliance and Risk Committee. Ruth is currently on the board of the NFAW Ltd (National Foundation for Australian Women) and WOB Pty Ltd (Women on Boards). Ruth started in IT in the 1970s. Since then she has been a senior public servant, a broadcasting regulator, the inaugural Company Secretary at Telstra and the Executive Director of an industry association.

Les Coleman B.Eng.(Hons), B.Sc.(Hons), M.Ec., PhD
Non-Executive Director, Australian Ethical Superannuation Pty Limited

Les is a member of the Company's Audit, Compliance and Risk Committee and is also a director of Australian Ethical Superannuation Pty Limited. Les has been a trustee of two superannuation funds, and a director of ten companies involved in finance, retail and distribution. He has over 20 years' experience in senior operational, planning and finance roles in Australia and overseas. He is currently a member of the investment committee of United Funds Management (a subsidiary of IOOF Holdings Limited), and since 2004 has taught in the Finance Department of the University of Melbourne.

Changes to Subsidiary Board directors subsequent to 30 June 2015

The following changes to Australian Ethical Superannuation Pty Limited directorships occurred since 30 June and prior to the issue of this report:

- Les Coleman resigned as non-executive director on 26 August 2015;
- Tony Cole was appointed as a non-executive director on 26 August 2015;
- Mara Bun was appointed as a non-executive director on 26 August 2015;

Principal activities

The Group's principal activities during the financial year was to act as the responsible entity for a range of public offer ethically managed investment schemes and act as the Trustee of the Australian Ethical Retail Superannuation Fund. Other than as described in this report, there were no significant changes in the nature of the controlling entity's activities during the year. More details on the Group's principal activities are included in the Shareholder Newsletter.

Changes in the state of affairs

There were no significant changes in the state of affairs of the Company that occurred during the year not otherwise disclosed in this report or the financial statements.

Operating and financial review

The consolidated profit for the year to 30 June 2015 is $1.970m (2014: $2.543m). A review of operations for the Group is set out in the Shareholder Newsletter.

Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year were:

	Cents per share	Total amount ($)	Franked/ unfranked	Date of payment
Declared and paid during the financial year				
Final 2014	120	1,246,676	Franked	3 October 2014
Interim 2015	80	843,054	Franked	27 March 2015
Total	200	2,089,730		
Declared after end of year				
Final 2015	120	1,264,582	Franked	30 September 2015[2]

[2] Planned payment date

Events subsequent to reporting date

On 31 August 2015 the following share transactions occurred:

- Vesting of 11,899 STI employee share rights (AEFAG);
- Vesting of 16,834 LTI employee share rights (AEFAC); and
- Issue of 11,659 shares to the Employee Share Trust for employee long term incentives.

On 31 July 2015 we reduced the fees on our Superannuation fund by a further 0.30%. This is part of a medium term strategy, discussed in previous communications, to progressively make our superannuation product fees more competitive.

On 28 July 2015 the Australian Ethical Foundation Ltd, a company limited by guarantee, was registered. As discussed in the Shareholder Newsletter the Foundation will receive the donations from the Company each year and manage the allocation of those grants.

Other than as outlined in this report, no matters or circumstances have arisen since the end of the financial year which have or may significantly affect the operations of the Company and its controlled entity, the results of those operations or the state of affairs of the Company in financial years subsequent to the financial year ended 30 June 2015.

Outlook - Likely developments and business strategies

The Group's business strategy is discussed in the Shareholder Newsletter.

Environmental Regulation

The Company acts as a responsible entity for the Australian Ethical Property Trust and the Australian Ethical Balanced Trust both of which own direct property assets. These fiduciary operations are subject to environmental regulations under both Commonwealth and State legislation in relation to property developments. Approvals for commercial property developments are required by state planning authorities and environmental protection agencies. The licence requirements relate to air, noise, water and waste disposal. The responsible entity is responsible for compliance and reporting under the government legislation and engages professional property managers to manage the properties.

The Company is not aware of any material non-compliance in relation to these licences during the financial year.

The Company has determined that it is not required to register to report under the National Greenhouse and Energy Reporting Act 2007, which is Commonwealth environmental legislation that imposes reporting obligations on entities that reach reporting thresholds during the financial year.

The last property in the Australian Ethical Property Trust was sold on 24 July 2015. Since that time the Trust has invested in units of unlisted property trusts that meet the investment criteria. The properties held in the Australian Ethical Balanced Trust are not required to have a minimum of Green star rating.

Auditor's Independence Declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page xx.

Indemnification of Directors' and officers

The Company and its controlled entity indemnify the current Directors and officers of the Company and the controlled entity against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors of the Group, except where the liabilities arise out of conduct involving a lack of good faith. The Company and its controlled entity will meet the full amount of any such liabilities, including costs and expenses.

Insurance

The constitution of the Company provides a general indemnity for officers of the Company against liabilities incurred in that capacity, including costs and expenses in successfully defending legal proceedings.

During the financial year, the Company paid a premium to insure the directors (named above), the company secretary and all officers of the company and of any related body corporate against a liability incurred as a director, secretary or officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

During the year the Company entered into or maintained deeds of indemnity, insurance and access (Deed) with directors and officers which provides general indemnity against liabilities incurred in that capacity to the extent permitted by the Corporations Act 2001.

The Deed obligates the Company to use its reasonable endeavours to obtain and maintain insurance for the benefit of a director or officer of the Company and any subsidiary, to the extent that such coverage is available in the market on terms which the Company reasonably considers financially prudent and on terms consistent with the practice of comparable companies operating in similar markets.

The Deed also provides that the Company will pay on behalf of the director or officer or lend to the director or officer the amount necessary to pay the reasonable legal costs incurred by the director or officer in defending an action for a liability incurred as a director or officer of the Company or a subsidiary on such terms as the Company reasonably determines. The director or officer must repay to the Company such legal costs if they become legal costs for which the Company was not permitted by law to indemnify the director or officer. The Company need not pay or provide a loan to the director or officer to the extent that the director or officer is actually reimbursed for legal costs as they fall due under an insurance policy or otherwise.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify a director, officer or auditor of the Company or of any related body corporate against a liability incurred as such director, officer or auditor.

Director’s meetings

The number of Directors’ meetings (including meetings of committees of directors of which not all directors are members) and number of meetings attended by each of the directors of the controlling entity during the financial year are set out below.

Director	**Board**		**Investment**		**People, remuneration and nominations**		**Audit, compliance and risk**	
	Eligible	Attend	Eligible	Attend	Eligible	Attend	Eligible	Attend
Stephen Gibbs	5	5	3	3	4	4	7	7
Mara Bun	5	5	-	-	-	-	-	-
Tony Cole	5	5	3	3	4	4	-	-
Kate Greenhill	5	5	-	-	4	4	7	7
Phil Vernon	5	5	-	-	-	-	-	-
Ruth Medd	-	-	-	-	-	-	7	6
Les Coleman	-	-	-	-	-	-	6	6

Shares issued during the year and prior to the issue of the report

During the year and prior to the issue of this report the following shares were issued:

Date	Number of shares Issued	Reason
1 July 2014	11,950	Conversion of STI performance rights (AEFAF)
1 September 2014	3,795	Conversion of LTI performance rights (AEFAA)
12 March 2015	14,924	Issued to the Employee Share Trust as long term incentives
31 August 2015	11,899	Conversion of STI performance rights (AEFAG)
31 August 2015	16,834	Conversion of LTI performance rights (AEFAC)
31 August 2015	11,659	Issued to the Employee Share Trust as long term incentives

No further shares have been issued or are planned from the date of this report. No amounts are unpaid on any of the shares.

Remuneration Report 2015

Dear Shareholder,

On behalf of the Board, I am pleased to present our Remuneration Report for 2015.

The 2015 financial year has further built on the excellent result for 2014. We have delivered strong underlying business performance against a background of market and regulatory pressure on fees. We demonstrated this through our strong investment performance and improved net flows and our ability to deliver a strong dividend payment for our shareholders.

In 2014 we introduced a new remuneration structure aimed at providing better alignment between employees and shareholders, a more direct link for employees between effort and reward and better employee retention. All permanent employees participate in our employee share plan reflecting our Charter commitments.

In a small team such as Australian Ethical everyone plays a part in delivering superior results and the remuneration model applies to all employees with greater portions of remuneration at risk for more senior employees. This ensures we retain the team that is delivering strong returns for shareholders as well as building long-term value for our company.

We will continue to review our remuneration arrangements to ensure they remain effective in attracting and retaining the best talent to drive Australian Ethical forward.

S. P. Gibbs

Stephen Gibbs
Chair
People, Remuneration & Nominations Committee

About this Report

This report deals with the remuneration arrangements for Australian Ethical Investment Limited's ("The Company") Key Management Personnel (KMP). This includes the Non-Executive Directors, the Managing Director and the Executives. The Report has been audited as required by section 308(3C) of the *Corporations Act* 2001.

Our Remuneration Policy and Structure

The Company's remuneration policy is designed to create a motivating and engaging environment for employees where they feel appropriately paid and incentivised for the contribution they make to the performance of the Company.

General principles

The principles underpinning our remuneration framework are:

- pay people fairly for the work that they do
- build long term ownership in the Company
- be motivating for employees
- align reward with contribution to the Company's performance
- align shareholder interests and the Company's capacity to pay
- attract and retain talented people
- promote the values of the Charter and be aligned with the purpose of the Company
- be simple to administer and to communicate

The remuneration philosophy is also consistent with the principles of the Company's Constitution and Charter. In particular:

- it is designed to ensure that the Company facilitates "the development of workers participation in the ownership and control of their work organisations and places" - *Charter element (a)*

- it is designed so as to not "exploit people through the payment of low wages or the provision of poor working conditions" - *Charter element (ix)*

- the incentive structure meets the requirements of Rule 15.1(c) of the Constitution which provides that prior to recommending or declaring any dividend, provision must be made for a bonus or incentive for employees to be paid of up to 30 percent (30%) of what the profit for that year would have been had not the bonus or incentive payment been deducted.

Remuneration Framework Summary

Element	Key Driver	Quantum	How Paid	Criteria	Changes to prior year
Fixed remuneration (FR)	Pay people fairly.	Assessed against market data based on position and skills and experience brought to the role. Target remuneration is based around the Median of the relevant comparator group for each job role.	Paid fortnightly	Continued employment	Unchanged
Short Term Incentive (STI)	Incentivises and rewards for achieving annual objectives.	Percentage of Fixed Remuneration based on market assessment.	Paid annually on first pay period after 1 November. Timing allows for the inclusion of financial results in performance assessments.	Objectives include (depending on role): ▪ Profit ▪ Growth ▪ Investment performance ▪ Individual objectives ▪ Culture	Changed to 100% cash. Previously a combination of cash and 12 month performance rights. Change to 100% cash provides a more direct alignment for employees between effort and reward. The issue of performance rights had the potential to impact profits if there were significant changes in the share price.
Long Term Incentive (LTI)	Retention and fostering an interest in the Company's long term performance.	Percentage of Fixed Remuneration based on market assessment.	Shares held in trust and vest after 3 years.	Shares subject to 3 year vesting as follows: ▪ 50% based on remaining employed with the Company ▪ 50% based on compound annual growth in Earnings per Share (EPS) and remaining employed with the Company	Changed to Shares held in Trust for 3 years subject to EPS vesting hurdle. Previously performance rights issued after 3 years subject to a Return on Equity (RoE) vesting hurdle. Changes provide: ▪ Greater alignment between shareholders and employees due to participation in the dividend ▪ Employee participation in the affairs of the Company through the voting rights ▪ A vesting hurdle (EPS) more directly relevant to what employees can influence (compared to RoE)

Remuneration Framework

Short Term Incentive

The aim of the Short Term Incentive Scheme is to incentivise and reward employees for performance against annual objectives.

The maximum incentive paid each year is based on a percentage of each employee's Fixed Remuneration and their role and responsibility and benchmarked against market data.

It is paid in cash in November of each year following the finalisation of annual results and performance reviews.

A number of changes have been made to the Short Term Incentive scheme over the past few years. These are:

- A number of schemes were in operation across the Company. These have now been amalgamated into one consistent scheme;
- One scheme that applied just to management and the investment team previously paid bonuses as 50% cash and 50% performance rights with one year vesting. This has now been changed to 100% cash to offer a more direct link between effort and reward and to simplify administration;
- The scheme that applied to remaining employees was previously not linked to market benchmarks. All employees are now benchmarked to market; and
- The Company has progressively been moving employees to market equivalent remuneration.

Outcomes are assessed based on performance against a "balanced scorecard" of objectives. The actual objectives and percentage vary depending on the role and cover the following:

Measure	Description
Profit	A portion of the incentive is based on meeting annual profit targets determined by the board.
Growth	Focussed on building long term growth. Measures include growth in client numbers and net inflows.
Investment performance	Assessed according to performance against investment benchmarks.
Individual objectives	Each employee will have certain project based objectives to achieve for the year.
Culture	Employees have an obligation to adhere to certain cultural standards. These include abiding by the Company's values and risk management requirements.

Long Term Incentive Scheme

The aim of the Long Term Incentive scheme is to foster an interest in the long term performance of the Company, to encourage participation in the affairs of the Company and to encourage the retention of employees.

The maximum incentive paid each year is based on a percentage of each employee's Fixed Remuneration and role, benchmarked against market data.

Shares are issued at the commencement of each financial year and held in trust for 3 years. They vest in the name of the employee after 3 years, provided that the employee remains employed and that long term financial performance hurdles are met. Whilst the shares remain unvested, employees participate in dividends and have voting rights.

The performance hurdles have been determined as follows:

<table>
<tr><th>Portion</th><th colspan="2">Performance hurdles</th><th>Rationale</th></tr>
<tr><td>50%</td><td colspan="2">Based on remaining employed during the period</td><td>Aimed at retention and increasing share ownership. Employee share ownership is very low due to past hurdles not being met.</td></tr>
<tr><td rowspan="3">50%</td><td>Average EPS growth less than 5% pa</td><td>Zero</td><td rowspan="3">EPS growth was chosen as a hurdle as it is the measure which employees can most directly influence (see below).</td></tr>
<tr><td>Average EPS growth between 5% and 10% pa</td><td>Pro rata</td></tr>
<tr><td>Average EPS growth exceeds 10%</td><td>Maximum</td></tr>
</table>

Changes were made to the Long Term Incentive Scheme in the 2014 year as follows:

- Performance rights were replaced by shares held in trust. We believe this better aligns employee and shareholder interests and better fosters an interest in the long term performance of the Company.

- The hurdle was changed from Return on Equity to Earnings per Share growth. This was done as we believe that Earnings per Share is the measure that employees can most directly influence. We believe the hurdles set are both attainable and challenging. Two alternatives were considered; Total Shareholder Return and Return on Equity. Total Shareholder Return takes into account share price performance and dividend returns; it is subject to external factors beyond employees' influence and is not as effective for a stock with low liquidity. Return on Equity is heavily influenced by balance sheet decisions and was considered insufficiently challenging and thus not aligning the interests of employees and shareholders.

A detailed comparison between the two schemes is as follows:

	Performance rights (old scheme)	Deferred shares (new scheme)
Description	Rights issued at the commencement of the 3 year performance period and, subject to meeting performance hurdles, vest into ordinary shares at the end of the period based on the share price at the end of the period. Employees have placed limited value on them in the past making them ineffective as a retention mechanism.	Shares are issued or bought on market at the commencement of the 3 year performance period and held on trust. At the end of the period, subject to performance hurdles being met, shares transfer into the name of the employee.

	Performance rights (old scheme)	Deferred shares (new scheme)
Performance hurdles	Vesting is subject to the following hurdle: ▪ If RoE is less than 15% over 3 years, zero will vest. ▪ If RoE is greater than 20% over 3 years, 100% will vest. ▪ If RoE is between 15% and 20%, a pro rata amount will vest.	50% will vest if the employee remains with the Company after 3 years. 50% will vest on the following basis: ▪ If EPS growth[1] is less than 5% pa, on average, zero will vest. ▪ If EPS growth is greater than 10% pa, on average, 100% will vest. ▪ If EPS growth is between 5% and 10% pa, on average, a pro rata amount will vest. EPS was chosen over RoE as it is more within the influence of employees and is a driver of long term shareholder value thereby providing better alignment between employees' effort and shareholder interests.
Dividends	No dividends paid on unvested rights. Dividends are taken into account in the calculation of rights to be issued.	Dividends paid on unvested shares. This: ▪ Provides real value that employees lose if they leave the Company, making them an effective retention mechanism. ▪ Provides a direct real interest in the six monthly dividend performance of the Company and hence alignment with shareholders' interests.
Voting	Employees cannot vote on unvested rights.	Employees can vote on unvested shares.
Expense to company	Rights are amortised over 3 years based on an assessment of the share price at the end of the 3 year period. A rising share price leads to a greater expense.	Cost of shares is fixed at time of issue and expensed over a three year period giving greater certainty.
Tax impact on company	Not deductible.	Fully deductible in year of issue.
Tax impact on employees	Tax crystallises on vesting which has in some cases led to employees selling their shares to fund their tax bill.	Tax crystallises only on exit from the employee share trust and therefore the payment of tax is more in the control of the employee.

[1] Growth in EPS is defined as compound average annual growth in the Company's earnings per share comprising basic earnings per share (after tax). The Board may adjust EPS for items that do not reflect management and employee performance and day-to-day business operations and activities.

Actual Remuneration

Total remuneration paid and alignment with Company performance

STI rewards for KMPs are based on a range of key performance measures. Depending on the role these include a portion linked to current year profit, for the investment team a portion linked to the performance of the investment funds for which they're responsible and for the sales and marketing team a portion linked to net flows. The profit portion of these relate to the prior year to when it is paid. Other elements (e.g.: investment performance and net flows) are focussed on building long term value and will impact profit performance over the longer term.

LTI is subject to average Earnings per Share Growth ("EPS") performance hurdles over the three year vesting period[2]. If these are not met the shares are held in trust and reduce the amount that is required to be funded in future years.

The following table shows how fixed remuneration, STI and LTI outcomes compared to the Company's financial results over the past five years. STI outcomes and company results are not expected to be perfectly correlated as the Company's STI performance assessment involves a broader consideration of the Company's progress in generating future value for shareholders (eg: non-financial performance and financial results relative to the targets set by the Board).

Five Year Performance	30 June 2011	30 June 2012	30 June 2013	30 June 2014	30 June 2015	Notes
Fixed Remuneration	**6,642,648**	**6,544,510**	**5,902,946**	**5,611,929**	**5,699,239**	1.
Directors fees	**156,226**	**177,993**	**217,305**	**280,381**	**293,175**	
Bonus and rights expense						
STI constitutional bonus (old scheme)	*194,855*	*85,846*	*66,926*	*65,000*	-	2.
STI cash payable	*141,493*	*94,131*	*277,753*	*220,018*	*1,141,982*	3.
STI rights expense (old scheme)	-	-	*164,857*	*473,191*	*479,943*	4.
LTI rights expense (old scheme)	*255,905*	*231,478*	*70,696*	*436,139*	*928,557*	5.
LTI shares issued (new scheme)	-	-	-	-	*175,852*	6.
Bonus & Rights under/over accrual	-	-	*(69,348)*	*28,734*	*292,507*	7.
Total Bonus and Rights Expense	**592,253**	**411,455**	**510,884**	**1,223,082**	**3,018,841**	
Other Employment Cost	**242,030**	**(348,450)**	**29,739**	**32,309**	**39,392**	
Total remuneration	**7,633,157**	**6,785,509**	**6,660,875**	**7,147,703**	**9,050,647**	
Net Profit After Tax ($'000)	1,098	402	1,063	2,543	1,970	
Underlying Profit After Tax ($'000)	981	860	1,675	3,111	2,454	
Return on Equity (3 year average)	14.1%	11.1%	12.1%	18.1%	23.4%	
Earnings per share	113.00	40.10	104.84	248.51	190.00	
Earnings per share growth (3 year average)	-2.4%	-27.0%	-2.5%	83.7%	22.0%	
Share price at end of period ($)	19.10	17.50	19.50	35.45	58.80	
Dividends (c per share)	170	60	85	200	200	
Total shareholder return (TSR)	(10%)	(5%)	16%	92%	72%	
Average FTE	48.9	41.5	34.3	28.6	30.7	

Notes:

1. Fixed remuneration has decreased and stabilised over time as the business has become more efficient operating with fewer people. Average salaries have increased as the Company has progressively moved people to market equivalent remuneration.
2. In 2015 the "Constitutional Bonus" paid to staff not in the STI scheme was discontinued as the STI scheme was rolled out to all employees.

[2] From FY15 EPS growth replaced average RoE as the performance hurdle for LTI. Three year average RoE will remain relevant until past performance rights which use this hurdle either vest or lapse.

Notes:

3. STI cash component has increased significantly due to three factors:
    a. The inclusion of all employees in the Scheme
    b. The move to pay STI as 100% cash rather than 50% cash and 50% performance rights. The current year cash payable amount includes 100% of the current year STI expense compared to only 50% under the old scheme.
    c. Accrual for expected bonuses in respect of meeting performance hurdles in the 2015 financial year which will be paid in the 2016 financial year. These performance hurdles included investment performance and profit targets.
4. Will reduce to zero in the 2016 financial year. This item is the residual 50% of the prior year STI under the old scheme.
5. This has increased due to the following:
    a. The increased share price. Performance rights are amortised based on the prevailing share price at the end of the period
    b. Increased likelihood of meeting hurdles due to the increased RoE

    This item will reduce to zero in the financial year ended 30 June 2017 as the new scheme (Note 6) increases.
6. This is one year's amortisation of the first issue of shares under the new share scheme and will increase over time as further issues are made. Once the shares have been purchased any future share price changes do not impact expenses for the Company.
7. Over/under accruals are due to needing to finalise accounts prior to finalisation of performance assessments and are accrued based on "target"

Non-financial outcomes

As described earlier, in addition to profit targets a number of non-financial objectives are used to determine incentive outcomes. Many of these develop the long term sustainability of the business and so are not necessarily correlated to short term financial performance. These objectives are applied in varying degrees depending on the role. Performance against some of these objectives in the past financial year have been:

Measure	2015 performance
Growth	Total net flows of $179m, almost double the previous year.
Investment performance	Regular top quartile investment performance.
Culture	Employee engagement score considered to be in "Best Employer" range.
Competitiveness	Superannuation fees reduced by 0.67% over 12 months, virtually halving over the past two years.

Management Team Remuneration

The following tables show the fixed remuneration, maximum STI and LTI for each KMP as a proportion of total remuneration. Actual amounts received are shown under the Statutory Reporting tables.

	Position	Fixed Remuneration (%)	Maximum Short-term incentive (%)	Maximum Long Term incentive (%)
Managing Director & CEO				
P Vernon	Managing Director & CEO	56%	28%	16%
Current Management				
D Barton	CFO	77%	15%	8%
A Kirk	Head of Business Development & Client Relations	71%	21%	8%
D Macri	CIO	50%	33%	17%
T May	General Counsel & Company Secretary	77%	15%	8%
S Palmer	Head of Ethics	77%	15%	8%
Departed Management				
P Smith	Head of Marketing	76%	16%	8%

Contract terms

All KMP's have formal contracts of employment and are permanent employees of the Company.

	Term	Notice period
Managing Director	3 years concluding on 31 March 2016. Extended for further 3 years to 31 March 2019.	52 weeks before the Contract expiry date, the Company may terminate the Managing Director's employment by giving 52 weeks' notice in writing. In the event the Contract has less than 52 weeks to run before the expiry date, the Company may terminate the Managing Director's employment by giving notice to the expiry date.
Management team	No fixed term	12 weeks

Non-Executive Directors Remuneration

In addition to fixed remuneration, Non-Executive Directors (NEDs) are entitled to be paid reasonable expenses, remuneration for additional services and superannuation contributions. Non-executive Directors are not eligible to participate in employee incentive plans.

The total paid to non-executive directors of the Company is approved by shareholders at the Annual General Meeting. The current pool of $360,000 was approved at the AGM in October 2014. A review of Non-executive Directors' remuneration is undertaken annually by the Company Board, taking into account recommendations from the People, Remuneration and Nominations committee.

The following table sets out the agreed remuneration for Non-Executive Directors by position:

Director	Chair	NED	Committee Chair	Committee member	Total**
Australian Ethical Investment Limited					
Stephen Gibbs*	54,000	20,000	2,185	12,018	88,203
Tony Cole		36,000	5,463	1,639	43,102
Kate Greenhill*		56,000	19,665	1,639	77,304
Mara Bun		36,000			36,000
Total	**54,000**	**148,000**	**27,313**	**15,296**	**244,609**
Australian Ethical Superannuation Pty Ltd					
Ruth Medd	30,000			8,740	38,740
Les Coleman		20,000		8,740	28,740
Total	**30,000**	**20,000**	-	**17,480**	**67,480**
Total Group	**84,000**	**168,000**	**27,313**	**32,776**	**312,089**

* Stephen Gibbs and Kate Greenhill are also Directors of Australian Ethical Superannuation Pty Ltd and members of the Australian Ethical Superannuation Pty Ltd Audit, Compliance and Risk Committee.
** This table shows the Non-Executive Director remuneration for a full year, for actual remuneration received see below.

Statutory reporting

Management team remuneration

The table below outlines Executive reward as calculated in accordance with accounting standards and the Corporations Act 2001 requirements. The amounts shown are equal to the amount expensed in the Company's financial statements.

		Short Term Benefits		Post Employment Benefits	Equity			Long Term Benefits
Name	Year	Salary, Fees and Leave ($)	Cash Bonus ($)	Superannuation ($)	Settled Share-based payments ($)	Total ($)	Performance Based Proportion ($)	Long Service Leave ($)
Managing Director & CEO								
P Vernon	2015	337,458	76,162	18,782	103,904	536,306	33.6%	10,842
	2014	304,814	49,771	25,000	13,790	393,375	16.2%	7,623
Current Management								
D Barton	2015	238,513	21,282	18,782	-	278,577	7.6%	5,915
	2014	228,627	-	21,146	-	249,773	0%	5,068
A Kirk	2015	212,000	30,502	18,782	11,344	272,628	15.3%	5,778
	2014	233,143	7,247	17,773	8,574	266,737	5.9%	4,858
D Macri	2015	280,124	67,179	18,782	100,574	466,659	35.9%	12,086
	2014	243,850	43,623	24,999	48,719	361,191	25.4%	7,299
T May	2015	193,356	17,696	18,782	21,376	251,210	15.6%	5,631
	2014	189,867	5,084	17,143	5,670	217,764	4.9%	4,103
S Palmer	2015	164,307	5,605	16,142	-	186,054	3.0%	4,167
	2014	43,615	-	3,993	-	47,608	-	4,045
Departed Management								
P Smith	2015	83,488	-	7,469	12,053	103,010	11.7%	-
	2014	183,813	7,713	17,688	6,555	215,769	6.6%	4,274
Total	2015	1,509,246	218,426	117,521	249,251	2,094,443	22.3%	44,419
	2014	1,431,729	113,438	127,742	83,308	1,752,217	11.2%	37,270

Non-Executive Directors remuneration

		Short Term Benefits		Post Employment Benefits	Equity			Long Term Benefits
Name	Year	Salary, Fees and Leave ($)	Cash Bonus ($)	Superannuation ($)	Settled Share-based payments ($)	Total ($)	Performance Based Proportion ($)	Long Service Leave ($)
Non-Executive Director's – Australian Ethical Investment Ltd								
S Gibbs	2015	80,897	-	7,647	-	88,544	-	-
	2014	77,559	-	9,702	-	87,261	-	-
T Cole	2015	39,531	-	3,737	-	43,268	-	-
	2014	38,745	-	3,588	-	42,333	-	-
K Greenhill	2015	55,600	-	5,256	-	60,856	-	-
	2014	41,714	-	3,863	-	45,578	-	-
M Bun	2015	33,018	-	3,121	-	36,139	-	-
	2014	32,847	-	3,043	-	35,889	-	-
Non-Executive Director's – Australian Ethical Superannuation Pty Ltd								
R Medd	2015	35,531	-	3,359	-	38,890	-	-
	2014	36,746	-	3,404	-	40,150	-	-
L Coleman	2015	23,278	-	2,200	-	25,479	-	-
	2014	29,999	-	2,778	-	32,777	-	-
Departed Directors								
A Morony	2015	-	-	-	-	-	-	-
	2014	13,871	-	1,287	-	15,158	-	-
Total	2015	267,856	-	25,319	-	293,175	-	-
	2014	271,481	-	24,261	-	299,146	-	-

Notes in relation to the Non-Executive Directors and Management team remuneration:

1. The short term incentive bonus is for performance during the prior financial year using agreed KPI's. The amount was finally determined in September 2014 after performance reviews were completed and approved by the PRNC.
2. The value of share based payment is based on the market value of shares on the day they vest.
3. No non-monetary benefits were provided to any KMP's.

Unvested performance rights, unvested shares and ordinary shares

The movement during the reporting period in the number of rights over ordinary shares and ordinary shares in the Company, held directly, indirectly or beneficially, by each key management person, including their related parties is as follows:

Name	Rights/Shares Class	Balance at beginning of year	No. granted	No. forfeited/ Expired/ Sold	No. vested & exercised	Balance at the end of year
Managing Director & CEO						
P Vernon	AEFAA	1,472	-	(736)	(736)	-
	AEFAC	2,432	-	-	-	2,432
	AEFAE	4,037	-	-	-	4,037
	AEFAF	2,195	-	-	(2,195)	-
	AEFAG	-	1,967	-	-	1,967
	Deferred Shares	-	2,412	-	-	2,412
	AEF Ordinary shares	2,082	-		2,931	5,013
	2015 Total	**12,218**	**4,379**	**(736)**	**-**	**15,861**
	2014 Total	8,467	6,232	(2,481)	-	12,218
Current Management						
D Barton						
	AEFAG	-	566	-	-	566
	Deferred Shares	-	604	-	-	604
	2015 Total		**1,170**			**1,170**
	2014 Total	-	-	-	-	-
A Kirk	AEFAC	1,142	-	-	-	1,142
	AEFAE	856	-	-	-	856
	AEFAF	320	-	-	(320)	-
	AEFAG	-	811	-	-	811
	Deferred Shares	-	537	-	-	537
	AEF Ordinary shares	28		(320)	320	28
	2015 Total	**2,346**	**1,348**	**(320)**	**-**	**3,374**
	2014 Total	1,520	1,176	-	-	2,696
D Macri	AEFAA	827	-	(413)	(414)	-
	AEFAC	1,379	-	-	-	1,379
	AEFAE	3,223	-	-	-	3,223
	AEFAF	1,924	385	-	(2,309)	-
	AEFAG	-	1,785	-	-	1,785
	Deferred Shares	-	2,313	-	-	2,313
	AEF Ordinary shares	2,414		(5,137)	2,723	-
	2015 Total	**9,767**	**4,483**	**(5,550)**	**-**	**8,700**
	2014 Total	4,928	5,505	(666)	-	9,767

Name	Rights/Shares Class	Balance at beginning of year	No. granted	No. forfeited/ Expired/ Sold	No. vested & exercised	Balance at the end of year
T May	AEFAA	758	-	(379)	(379)	-
	AEFAC	939	-	-	-	939
	AEFAE	720	-	-	-	720
	AEFAF	224	-	-	(224)	-
	AEFAG	-	470	-	-	470
	Deferred Shares	-	501	-	-	501
	AEF Ordinary shares	-	-	(603)	603	-
	2015 Total	**2,641**	**971**	**(982)**	**-**	**2,630**
	2014 Total	2,291	944	(594)	-	2,641
S Palmer	AEFAG	-	149	-	-	149
	Deferred Shares	-	382	-	-	382
	2015 Total	**-**	**531**	**-**	**-**	**531**
	2014 Total	-	-	-	-	-
Management who have departed during the year						
P Smith	AEFAC	968	-	(968)	-	-
	AEFAE	706	-	(706)	-	-
	AEFAF	340	-	-	(340)	-
	AEF Ordinary shares	289	-	-	340	629
	2015 Total	**2,303**	**-**	**(1,674)**	**-**	**629**
	2014 Total	1,257	1,046	-	-	2,303

For details on the performance criteria for each tranche of performance rights and deferred shares refer to Note 26 of the Notes to the Consolidated Financial Statements.

Future vesting schedule

Type	Issue year	Vesting year	Number
Rights	2012	2015	16,834
Rights	2013	2016	16,879
Rights	2014	2017	11,899
Deferred Shares	2015	2018	14,924
Total			60,536

Governance

The Role of the People, Remuneration and Nominations Committee

The role of the People, Remuneration and Nominations Committee (PRNC) is to help the Board fulfil its responsibilities to shareholders through a strong focus on governance, and in particular, the principles of accountability and transparency. The PRNC operates under delegated authority from the Board.

The terms of reference include oversight of remuneration as well as executive development, talent management and succession planning.

The PRNC members for the 2014/15 financial year were:

- Stephen Gibbs (Chair);
- Kate Greenhill; and
- Tony Cole.

The PRNC met four times during the year.

A standing invitation exists to all Directors and the Chair of Australian Ethical Superannuation Pty Ltd to attend PRNC meetings. Attendance at these meetings is set out in the Directors' Report. At the PRNC's invitation, the Managing Director and the People and Culture Consultant attended all meetings except where matters associated with their own performance evaluation; development and remuneration were to be considered. The PRNC considers advice and views from those invited to attend meetings and draws on services from a range of external sources, including remuneration consultants.

Managing Director and KMP Performance

An annual assessment of the Managing Director is completed by the Chairman and is overseen by the Board, with input from the PRNC. The review includes a 360 review process, measurement of performance against agreed KPI's and Company performance.

The bonus received by the Managing Director during 2014/15 is shown in Statutory Reporting table and relates to the previous financial year of 2013/2014. This flows from a formula linking the bonus to year on year profit changes and reflects an increase in the results for that previous financial year.

The Managing Director is responsible for reviewing the performance of Executives and determining whether their performance requirements were met. Both quantitative and qualitative data is used to determine whether performance criteria are achieved.

Use of Remuneration Consultants

In May 2014, the PRNC appointed KPMG as its principal remuneration consultant to provide specialist advice on executive remuneration and other Group-wide remuneration matters. The PRNC also utilised the services of Egan Associates to advise on the Company's non-executive director remuneration arrangements.

KPMG provided information to the PRNC to assist with its review of the remuneration structure implemented in 2014/15.

The PRNC also utilised the services of Egan Associates to advise on the Company's non-executive director remuneration arrangements.

Hedging Policy

Executives participating in the Company's equity-based plans are prohibited from entering into any transaction which would have the effect of hedging or otherwise transferring to any other person the risk of any fluctuation in the value of any unvested entitlement in the Company's securities.

Trading Restrictions and Windows

All directors and employees are constrained from trading the Company during "blackout periods". These periods occur between the end of the half year and full year and two days after the release of the half year and full year results. This policy was adopted in May 2015 and replaced the application of a shorter "trading window". The new policy gives more time for employees to trade shares, minimising the potential impact on the share price.

Outcomes of votes at Annual General Meetings

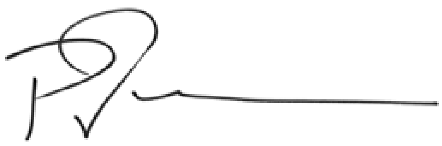
At the 2013 AGM, the Remuneration Report received 38.19% of the vote against it out of 70.1% of shareholders that voted on the report. This result constituted a 'first strike'.

At the 2014 AGM, the Remuneration Report received 44.05% of the vote against it out of 62.97% of shareholders that voted on the report. This result constituted a 'second strike'.

This required a spill motion being put to shareholders. The outcome of this motion was that 63.0% of the votes cast were against.

In setting the remuneration structure we have carefully considered comments made by shareholders, sought advice from remuneration consultants and reviewed practises of our peers. We believe that the structure we have adopted is the most appropriate for our people, shareholders and the business providing the right balance between motivation, retention and alignment of interests between employees and shareholders.

The Directors report, incorporating the Remuneration report, is signed is accordance with a resolution of the Board of Directors.



Phil Vernon
Managing Director & Chief Executive Officer
Dated: 28 August 2015

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Australian Ethical Investment Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit ; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

T. Gilerman

Tanya Gilerman
Partner

Sydney

28 August 2015

Independent auditor's report to the members of Australian Ethical Investment Limited

Report on the financial report

We have audited the accompanying financial report of Australian Ethical Investment Limited (the 'Company'), which comprises the statements of financial position as at 30 June 2015, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, notes 1 to 28 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Company and the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Australian Ethical Investment Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2015 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

Other Matter

The financial report of Australian Ethical Investment Limited for the year ended 30 June 2014 was prepared for the Group and did not present the individual financial statements for the Company. We did not express an audit opinion on the comparative figures for the Company.

Report on the remuneration report

We have audited the Remuneration Report included in pages 8 to 21 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Australian Ethical Investment Limited for the year ended 30 June 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

T. Gilerman

Tanya Gilerman
Partner

Sydney

28 August 2015

Australian Ethical Investment Limited and its Controlled Entities
Consolidated Statements of Financial Position
As at 30 June 2015

	Notes	**Consolidated entity At 30 June 2015 $'000**	Consolidated entity At 30 June 2014 $'000	**Parent entity At 30 June 2015 $'000**	Parent entity At 30 June 2014 $'000
ASSETS					
Current assets					
Cash and cash equivalents	9	**12,227**	7,950	**8,566**	3,479
Trade and other receivables		**1,780**	2,745	**1,757**	3,175
Available-for-sale financial assets		**-**	12	**-**	12
Other current assets		**323**	362	**272**	325
Assets classified as held for sale	11	**-**	2,238	**-**	2,238
Total current assets		**14,330**	13,307	**10,595**	9,229
Non-current assets					
Property, plant and equipment	10	**2,068**	459	**2,068**	459
Intangible assets	12	**57**	83	**57**	83
Deferred tax assets	13	**772**	396	**742**	383
Other non-current assets	14	**-**	-	**316**	316
Total non-current assets		**2,897**	938	**3,183**	1,241
Total assets		**17,227**	14,245	**13,778**	10,470
LIABILITIES					
Current liabilities					
Trade and other payables	15	**4,333**	3,476	**3,072**	2,190
Current tax liabilities		**1,177**	757	**617**	538
Provisions	16	**293**	232	**293**	232
Total current liabilities		**5,803**	4,465	**3,982**	2,960
Non-current liabilities					
Trade and other payables		**142**	202	**142**	202
Deferred tax liabilities		**-**	1	**-**	1
Provisions	16	**130**	94	**130**	94
Total non-current liabilities		**272**	297	**272**	297
Total liabilities		**6,075**	4,762	**4,254**	3,257
Net assets		**11,152**	9,483	**9,524**	7,213
EQUITY					
Issued capital	17	**7,004**	6,432	**7,004**	6,432
Reserves	18(a)	**2,338**	1,118	**2,338**	1,118
Retained earnings/(accumulated losses)	18(b)	**1,810**	1,933	**182**	(337)
Total equity		**11,152**	9,483	**9,524**	7,213

The above Consolidated Statements of Financial Position should be read in conjunction with the accompanying notes.

Australian Ethical Investment Limited and its Controlled Entities
Consolidated Statements of Comprehensive Income
For the year ended 30 June 2015

	Notes	Consolidated entity 2015 $'000	Consolidated entity 2014 $'000	Parent entity 2015 $'000	Parent entity 2014 $'000
Revenue from continuing operations	6	**21,171**	19,889	**18,240**	15,692
Expenses					
External services	7	**(1,714)**	(2,018)	**(1,330)**	(1,667)
Employee benefits expense	7	**(9,051)**	(7,148)	**(8,956)**	(7,026)
Depreciation and amortisation expense	7	**(186)**	(272)	**(186)**	(272)
Occupancy costs	7	**(485)**	(439)	**(485)**	(439)
Marketing and communication costs	7	**(762)**	(1,007)	**(748)**	(995)
Fund related expenses	7	**(2,916)**	(2,770)	**(952)**	(800)
Loss on disposal of assets		**(74)**	(15)	**(74)**	(15)
Community grants expense		**(373)**	(302)	**(373)**	(302)
Impairment of property, plant and equipment		**(484)**	(282)	**(484)**	(282)
Other expenses	7	**(1,548)**	(1,503)	**(1,435)**	(1,400)
		(17,593)	(15,756)	**(15,023)**	(13,198)
Profit before income tax		**3,578**	4,133	**3,217**	2,494
Income tax expense	8(b)	**(1,608)**	(1,590)	**(605)**	(810)
Net profit for the year		**1,970**	2,543	**2,612**	1,684
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Net loss on revaluation of available-for-sale financial assets, net of tax	18(a)	**-**	(1)	**-**	(1)
Net realised loss on available-for-sale financial assets, net of tax	18(a)	**-**	(7)	**-**	(7)
Other comprehensive income/(loss) for the year, net of tax		**-**	(8)	**-**	(8)
Total comprehensive income for the year		**1,970**	2,535	**2,612**	1,676

	Notes	2015 Cents	2014 Cents
Earnings per share for profit attributable to the ordinary equity holders of the Group:			
Basic earnings per share	27(a)	**190.00**	248.51
Diluted earnings per share	27(b)	**180.69**	241.13

The above Consolidated Statements of Comprehensive Income should be read in conjunction with the accompanying notes.

Australian Ethical Investment Limited and its Controlled Entities
Consolidated Statements of Changes in Equity
For the year ended 30 June 2015

Consolidated entity	Notes	Issued capital $'000	Asset revaluation reserve $'000	Other reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2013		6,278	4	345	669	7,296
Net profit for the year		-	-	-	2,543	2,543
Other comprehensive loss for the year		-	(8)	-	-	(8)
Total comprehensive income for the year		**-**	**(8)**	**-**	**2,543**	**2,535**
Transactions with owners in their capacity as owners:						
Shares issued during the year	17(b)	154	-	(154)	-	-
Dividends provided for or paid	19	-	-	-	(1,279)	(1,279)
Employee share scheme - Rights	18(a)	-	-	931	-	931
		154	-	777	(1,279)	(348)
Balance at 30 June 2014		**6,432**	**(4)**	**1,122**	**1,933**	**9,483**
Balance at 1 July 2014		6,432	(4)	1,122	1,933	9,483
Net profit for the year		-	-	-	1,970	1,970
Other comprehensive loss for the year		-	4	-	(4)	-
Total comprehensive income for the year		**-**	**4**	**-**	**1,966**	**1,970**
Transactions with owners in their capacity as owners:						
Shares issued during the year	17(b)	572	-	(572)	-	-
Dividends provided for or paid	19	-	-	-	(2,089)	(2,089)
Employee share scheme - Rights	18(a)	-	-	1,472	-	1,472
Employee share plan - Deferred	18(a)	-	-	316	-	316
		572	-	1,216	(2,089)	(301)
Balance at 30 June 2015		**7,004**	**-**	**2,338**	**1,810**	**11,152**

The above Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Parent entity	Notes	**Issued capital $'000**	**Asset revaluation reserve $'000**	**Other reserves $'000**	**Accumulated losses $'000**	**Total $'000**
Balance at 1 July 2013		6,278	4	345	(742)	5,885
Net profit for the year		-	-	-	1,684	1,684
Other comprehensive loss for the year		-	(8)	-	-	(8)
Total comprehensive income for the year		**-**	**(8)**	**-**	**1,684**	**1,676**
Transactions with owners in their capacity as owners:						
Shares issued during the year	17(b)	154	-	(154)	-	-
Dividends provided for or paid	19	-	-	-	(1,279)	(1,279)
Employee share scheme - Rights	18(a)	-	-	931	-	931
		154	-	777	(1,279)	(348)
Balance at 30 June 2014		**6,432**	**(4)**	**1,122**	**(337)**	**7,213**
Balance at 1 July 2014		6,432	(4)	1,122	(337)	7,213
Net profit for the year		-	-	-	2,612	2,612
Other comprehensive income for the year		-	4	-	(4)	-
Total comprehensive income for the year		**-**	**4**	**-**	**2,608**	**2,612**
Transactions with owners in their capacity as owners:						
Shares issued during the year	17(b)	572	-	(572)	-	-
Dividends provided for or paid	19	-	-	-	(2,089)	(2,089)
Employee share scheme - Rights	18(a)	-	-	1,472	-	1,472
Employee share plan - Deferred	18(a)	-	-	316	-	316
		572	-	1,216	(2,089)	(301)
Balance at 30 June 2015		**7,004**	**-**	**2,338**	**182**	**9,524**

The above Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes.

	Notes	Consolidated entity 2015 $'000	Consolidated entity 2014 $'000	Parent entity 2015 $'000	Parent entity 2014 $'000
Cash flows from operating activities					
Receipts from customers		**36,273**	27,868	**31,028**	12,768
Payments to suppliers and employees		**(28,399)**	(21,210)	**(25,940)**	(10,980)
Interest received		**205**	143	**133**	82
Income taxes paid		**(1,426)**	(1,321)	**(746)**	(486)
Community grants paid		**(200)**	(117)	**(200)**	(117)
Net cash inflow from operating activities	23	**6,453**	5,363	**4,275**	1,267
Cash flows from investing activities					
Payments for property, plant and equipment	10	**(67)**	(87)	**(67)**	(87)
Proceeds from sale of property, plant and equipment		**5**	1	**5**	1
Proceeds from buyback/sale of investments		**1**	87	**1**	87
Payments for intangibles		**(26)**	(29)	**(26)**	(29)
Dividends received from subsidiary		**-**	-	**2,988**	956
Net cash outflow from investing activities		**(87)**	(28)	**2,901**	928
Cash flows from financing activities					
Dividends paid to the Company's shareholders		**(2,089)**	(1,279)	**(2,089)**	(1,279)
Net cash outflow from financing activities		**(2,089)**	(1,279)	**(2,089)**	(1,279)
Net increase in cash and cash equivalents		**4,277**	4,056	**5,087**	916
Cash and cash equivalents at the beginning of the year		**7,950**	3,894	**3,479**	2,563
Cash and cash equivalents at end of year	9	**12,227**	7,950	**8,566**	3,479

The above Consolidated Statements of Cash Flows should be read in conjunction with the accompanying notes.

Contents of the Notes to the Financial Statements

1 General information

The financial report covers the consolidated entity of Australian Ethical Investment Limited and its wholly owned subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and Australian Ethical Investment Limited as an individual parent entity. Australian Ethical Investment Limited is a listed public company (ASX: AEF) and both the parent and wholly owned entities are incorporated and domiciled in Australia.

The Company's controlled entities are: Australian Ethical Superannuation Pty Limited and Australian Ethical Investment Limited Employee Share Plan Trust.

The Group is a for-profit entity for the purposes of preparing financial statements. Australian Ethical Investment Limited is the Responsible Entity (RE) for a range of ethically managed investment schemes. Australian Ethical Superannuation Pty Limited is the Registrable Superannuation Entity (RSE) of Australian Ethical Retail Superannuation Fund. Australian Ethical Investment Limited Employee Share Plan Trust is a newly established employee deferred share plan trust.

The consolidated financial report for the consolidated entity as of and for the year ended 30 June 2015 is available at www.australianethical.com.au.

The consolidated financial report was authorised for issue by the directors on 28 August 2015.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*.

The consolidated financial statements are presented in Australian dollars, which is the Group's functional currency.

(i) Compliance with IFRS

The consolidated financial statements of the Australian Ethical Investment Limited and its Controlled Entities and the separate financial statements of Australian Ethical Investment Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Group

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2014 that have a material impact on the Group.

(iii) Historical cost convention

These financial statements have been prepared under the accruals basis and are based on historical cost convention, as modified by the revaluation of available-for-sale financial assets and property, plant and equipment.

(iv) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(v) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

Accounting Standard	Requirement	Impact on Financial Statements
AASB 9 *Financial Instruments* and consequential amendments	AASB 9 addresses the classification, measurement and derecognition of financial assets, financial liabilities, and hedging. This standard becomes mandatory for the June 2019 financial year, and will be applied prospectively.	Based on the preliminary analyses performed, AASB 9 will impact classification of available for sale financial assets within the Statement of Financial Position, while other amendments are not expected to have a material impact on the Consolidated Entity.
AASB 15 *Revenue from Contracts with Customers*	AASB 15 provides a new five step model for recognising revenue earned from a contract with a customer and will replace the exiting AASB 118 *Revenue* and AASB 111 *Construction Contracts*. The standard become mandatory for the June 2018 financial year and will be applied retrospectively.	The potential effect of this standard is yet to be determined.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(b) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Parent entity financial statements are now included in the financial report.

(ii) Employee Share Trust

For reporting purposes the Australian Ethical Investment Limited Employee Share Plan Trust has been treated as a branch of the Company. The assets and liabilities of the Trust are accounted for as assets and liabilities of the Company on the basis that the Trust is merely acting as an agent of the Company.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

(i) Revenue from the provision of services

Revenue is earned from provision of services to customers outside the consolidated entity. Revenue is recognised when services are provided.

(ii) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

(iii) Interest income

Interest income is recognised using the effective interest method.

2 Summary of significant accounting policies (continued)

(c) Revenue recognition (continued)

(iv) Profit or loss from sale of assets

Net gains or losses on disposal of non-current assets are included in profit or loss. The gain or loss arising from disposal of an item of property, plant and equipment is determined as the difference between net disposal proceeds, being the cash price equivalent where payment is deferred, and the carrying amount of the item.

Profit or loss on disposal of assets is brought to account at the date an unconditional contract of sale is signed.

(d) Income tax

(i) Current tax
The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss in the Consolidated Statements of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(iii) Tax group
Australian Ethical Investment Limited and its wholly owned entities have formed an income tax consolidated group under the Tax Consolidation System. Australian Ethical Investment Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group.

The tax consolidated group has a tax sharing agreement whereby each company in the Group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

Under the tax sharing agreement Australian Ethical Superannuation Pty Limited agrees to pay its share of the income tax payable to Australian Ethical Investment Limited on the same day that Australian Ethical Investment Limited pays the Australian Taxation Office for group tax liabilities.

2 Summary of significant accounting policies (continued)

(e) Leases

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. The respective leased assets are included in the Consolidated Statements of Financial Position based on their nature.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(f) Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(g) Cash and cash equivalents

For the purpose of presentation in the Consolidated Statements of Cash Flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Financial instruments

Recognition and derecognition

The Group initially recognises financial instruments at fair value on the date that they are originated. All other financial instruments are initially recognised on trade date, which is the date the Group becomes party to the contractual rights or obligations. Subsequent to initial recognition these instruments are measured as set out below.

(i) Available-for-sale financial assets

The Group holds available-for-sale financial assets, which are financial assets not classified as assets held at fair value through profit or loss, loans and receivables or held-to-maturity investments. Available-for-sale financial assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at fair value other than impairment losses and are recognised in other comprehensive income and presented in the Asset Revaluation Reserve in equity.

2 Summary of significant accounting policies (continued)

(h) Financial instruments (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Consolidated Statements of Financial Position.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Determination of Fair Value
Fair value is determined based on current bid prices for all quoted investments. Investments in unlisted unit trusts are valued at the redemption price as reported by the fund's responsible entity.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

The amount of impairment loss is recognised in the Consolidated Statements of Comprehensive Income within other expenses.

(i) Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

(j) Property, plant and equipment

Recognition and measurement
Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (see accounting policy 2(f)). The carrying amount of property, plant and equipment is reviewed annually to ensure that it is not in excess of the recoverable amount from these assets. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost of self-constructed assets includes cost of materials, direct labour, an appropriate proportion of overheads, and where relevant, the initial estimates of the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

2 Summary of significant accounting policies (continued)

(j) Property, plant and equipment (continued)

Subsequent costs
Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation
The depreciable amount of all fixed assets including buildings, is depreciated over their estimated useful lives on a straight-line basis to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

The estimated useful lives for current and comparative periods are as follows:

Class of fixed asset	Estimated useful life
Buildings	5 - 40 years
Plant & Equipment	2.6 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

(k) Intangible assets

The development of the Group's website has been capitalised as an intangible asset and carried at cost less accumulated amortisation and accumulated impairment losses. Additional developments were made to the website during the year ended 2015. Amortisation is recognised on a straight-line basis over the estimated useful life of two and a half years. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

(l) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

(m) Employee benefits

(i) Wages, salaries, annual leave, sick leave and non-monetary benefits
Liabilities for wages and salaries and annual leave that are expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees’ services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the Consolidated Statements of Financial Position and includes related on-costs, such as workers compensation insurance and payroll tax.

Non-accumulating benefits, such as sick leave, are not provided for but are expensed as the benefits are taken by the employees.

A provision is recognised for the amount expected to be paid under short-term bonus or profit-sharing plans if the consolidated entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee.

During the year ended 30 June 2014, employee benefits included an amount of $409,831 for redundancy costs incurred during the year as a result of closure of the Canberra office.

There were no redundancy costs during the year ended 30 June 2015.

2 Summary of significant accounting policies (continued)

(m) Employee benefits (continued)

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and expected future payments are discounted based on period of service.

(iii) Share-based payments

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met and the prevailing share price. The objective is that the amount ultimately recognised as an expense is based on the number of awards that meet the related service conditions at the vesting date.

(iv) Employee share trust

Long term incentives for employees are held as shares in an employee share trust with various vesting conditions.

(v) Employee bonus

The Group recognises a liability and an expense for bonuses based on individual key performance indicators. Key staff key performance indicators include profit targets. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(n) Community grants expense

The Company's Constitution states that the directors before recommending or declaring any dividend to be paid out of the profits of any one year must have first:

- paid or provisioned for payment to current employees, or other persons performing work for the Group, a work related bonus or incentive payment, set at the discretion of the directors, but to be no more than 30 percent (30%) of what the profit for that year would have been had not the bonus or incentive payment been deducted.
- gifted or provisioned for gifting an amount equivalent to ten percent (10%) of what the profit for that year would have been had not the above mentioned bonus and amount gifted been deducted.

Provision for community grants expense has been made in the current year.

(o) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(p) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

2 Summary of significant accounting policies (continued)

(q) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Consolidated Statements of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

All revenue are stated net of the amount of GST.

(s) Rounding of amounts

The Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(t) Functional and presentation currency

The functional and presentation currency of the Company is Australian dollars.

(u) Comparatives

Where necessary, comparative information has been reclassified to be consistent with current reporting period.

As this is the first year that the Parent entity information has been presented, comparative information has been provided.

3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk, management risk and interest rate risk), credit risk and liquidity risk. The Board of the Company has in place a risk management framework to mitigate these risks.

Risk management framework
The Group recognises that risk is part of doing business and that the ongoing management of risk is critical to its success. The approach to managing risk is articulated in the Risk Management Strategy and the Risk Appetite Statement. The Risk & Compliance Manager is responsible for the design and maintenance of the risk and compliance framework, establishing and maintaining group wide risk management policies, and providing regular risk reporting to the Board, the Audit, Compliance & Risk Committee (ACRC). The Board regularly monitors the overall risk profile of the group and sets the risk appetite for the group, usually in conjunction with the annual planning process.

The Board is responsible for ensuring that management have appropriate processes in place for managing all types of risk, ranging from financial risk to operational risk. To assist in providing ongoing assurance and comfort to the Board, responsibility for risk management oversight has been delegated to the ACRC. The main functions of this Committee are to oversee the consolidated entity’s accounting policies and practices, the integrity of financial statements and reports, the scope, quality and independence of external audit arrangements, the monitoring of the internal audit function, the effectiveness of risk management policies and the adequacy of insurance programs. This Committee is also responsible for monitoring overall legal and regulatory compliance.

The activities of the Group expose it to the following financial risks: market risk, credit risk liquidity risk. These are distinct from the financial risks borne by customers which arise from financial assets managed by the consolidated entity in its role as fund manager, trustee and responsible entity.

The following discussion relates to financial risks exposure of the consolidated entity in its own right.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Currency risk

Exposure

The Group is not directly exposed to currency risk as all its monetary financial instruments are quoted in Australian dollars.

(ii) Price risk

Exposure

The Group is exposed to price risk on equity securities listed or quoted on recognised exchanges. This arises from investments held by the Group and classified in the Consolidated Statements of Financial Position as available for sale financial assets.

There was no exposure to market securities price risk at 30 June 2015 and an insignificant exposure as at 30 June 2014.

3 Financial risk management (continued)

(a) Market risk (continued)

Sensitivity

Consolidated entity	Impact on other components of equity	
Index	**2015 $'000**	2014 $'000
Change in variable +/- 10% (2014: +/-10%)	**-**	1

Parent entity	Impact on other components of equity	
Index	**2015 $'000**	2014 $'000
Change in variable +/- 10% (2014: +/-10%)	**-**	1

(iii) Market risks arising from Funds under Management

Exposure

The Group's revenue is significantly dependent on Funds Under Management ('FUM') which is influenced by equity market movements. Management calculates that a 1% movement in FUM changes annualised revenue by approximately $205,000 (2014: $164,000).

(iv) Cash flow and fair value interest rate risk

The Group's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

The consolidated entity and parent entity's exposure to interest rate risk arise predominantly on cash balances held with banks. In order to manage the interest rate risk relating to bank deposits the CFO reviews the interest rates on those deposits on a regular basis.

Sensitivity

Consolidated entity	**Impact on post-tax profit**	
	2015 $'000	2014 $'000
Interest rates - increase by 100 basis points (100 bps)	**122**	79
Interest rates - decrease by 100 basis points (100 bps)	**(122)**	(79)

Parent entity	**Impact on post-tax profit**	
	2015 $'000	2014 $'000
Interest rates - increase by 100 basis points (100 bps)	**86**	35
Interest rates - decrease by 100 basis points (100 bps)	**(86)**	(35)

3 Financial risk management (continued)

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instruction fails to meet its contractual obligations.

The Group is predominantly exposed to credit risk on its deposits with banks and financial institutions, outstanding receivables and committed transactions. The maximum exposure of the Group to credit risk on financial assets which have been recognised on the Consolidated Statements of Financial Position is the carrying amount, net of any provision for doubtful debts.

The Group manages this risk by settling the receivables from the managed investment schemes and superannuation fund on a weekly or monthly basis and holding cash and cash equivalents at financial institutions with a Standard & Poor's rating of 'A' or higher.

The table below outlines the Group's maximum exposure to credit risk as at reporting date.

	Consolidated entity		**Parent entity**	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Cash and cash equivalents	**12,227**	7,950	**8,566**	3,479
Trade and other receivables	**1,780**	2,745	**1,757**	3,175
	14,007	10,695	**10,323**	6,654

There are currently no past due receivables as at 30 June 2015 (2014: nil).

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

The Group's approach to managing liquidity is to maintain a level of cash or liquid investments sufficient to meet its ongoing financial obligations. The Group manages liquidity risk by continually monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets. In addition, a twelve month forecast of liquid assets, cash flows and balance sheet is reviewed by the Board annually as part of the budget process to ensure there is sufficient liquidity within the Group.

Maturities of financial liabilities

The tables below analyse the Group's non-derivative financial liabilities into relevant maturity groupings based on their contractual maturities at year end date.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Consolidated entity - at 30 June 2015	**Less than 6 months $'000**	**6 - 12 months $'000**	**More than 12 months $'000**
Trade and other payables	**3,964**	**309**	**-**
Provisions	**-**	**293**	**130**
	3,964	**602**	**130**

3 Financial risk management (continued)

(c) Liquidity risk (continued)

	Less than 6 months $'000	6 - 12 months $'000	More than 12 months $'000
Consolidated entity - at 30 June 2014			
Trade and other payables	3,140	275	-
Provisions	-	232	94
	3,140	507	94
Parent entity - at 30 June 2015			
Trade and other payables	**2,703**	**309**	**-**
Provisions	**-**	**293**	**130**
	2,703	**602**	**130**
Parent entity - at 30 June 2014			
Trade and other payables	1,854	275	-
Provisions	-	232	94
	1,854	507	94

(d) Capital management

(i) Capital requirements

The Group manages its capital to ensure that the level of financial conservatism is appropriate for its businesses. Capital is managed to provide business stability and accommodate the growth needs of the Group.

Part of the capital management of the Group is to determine the dividend policy. Dividends paid to shareholders are typically in the range of 80-100 per cent of the Group's net profit after tax attributable to members of the Company, which is in line with the historical dividend range paid to shareholders. In certain circumstances, the Board may declare a dividend outside that range.

As at year end the Group had no long term debt arrangements.

(ii) External requirements

In connection with operating a funds management business in Australia the Parent entity is required to hold an Australian Financial Services Licence (AFSL). As a holder of an AFSL, the Australian Securities & Investment Commission (ASIC) requires the Company to:

- prepare 12-month cash-flow projections which must be approved at least quarterly by directors, and reviewed annually by auditors;
- hold at all times minimum Net Tangible Assets (NTA) the greater of:
  (a) $150,000
  (b) 0.5% of the average value of scheme property (capped at $5 million); or
  (c) 10% of the average responsible entity revenue (uncapped).

The Company must hold at least 50% of its minimum NTA requirement as cash or cash equivalents and hold at least $50,000 in Surplus Liquid Funds (SLF).

The Company has complied with these requirements at all times during the year.

4 Fair value measurements

The Group measures and recognises the following assets at fair value on a recurring basis:

- Available-for-sale financial assets

The Group has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

(a) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The Consolidated Entity and Parent Entity did not have any available for sale investments at 30 June 2015.

Recurring fair value measurements Consolidated entity - at 30 June 2014	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Available-for-sale financial assets				
Australian listed equity securities	12	-	-	12
Total financial assets	12	-	-	12

Recurring fair value measurements Parent entity - at 30 June 2014	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Available-for-sale financial assets				
Australian listed equity securities	12	-	-	12
Total financial assets	12	-	-	12

There were no transfers between Level 1 and 2 in the year.

(i) Disclosed fair values

For all financial instruments other than those measured at fair value their carrying value approximates fair value.

The carrying amounts of trade and other receivables and payables are assumed to approximate their fair values due to their short-term nature.

5 Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

(a) Significant estimates and judgements

The areas involving significant estimates or judgements are:

- Assessment of impairment of property, plant and equipment - Note 10
- Estimation of provisions - Note 16
- Recognition and measurement of share based payments- Note 26
- Recoverability of deferred tax assets - Note 13

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

6 Revenue

	Consolidated entity		Parent entity	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
From continuing operations				
Management fees (net of rebates)	**13,642**	9,452	**15,096**	12,079
Member and withdrawal fees	**1,675**	1,443	**-**	-
Dividends	**-**	-	**2,988**	956
Administration fees	**5,609**	8,835	**-**	2,547
Interest income	**205**	143	**133**	82
Other income	**40**	16	**23**	28
	21,171	19,889	**18,240**	15,692

7 Expenses

	Consolidated entity		Parent entity	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
External services				
Ethical research	**164**	292	**164**	291
Audit	**318**	358	**241**	279
Consultants	**379**	770	**293**	716
Legal services	**126**	194	**109**	146
Other	**727**	404	**523**	235
	1,714	2,018	**1,330**	1,667
Employee benefits expense				
Staff remuneration	**5,699**	5,612	**5,699**	5,606
Directors fees	**293**	280	**198**	173
Bonus and rights amortisation	**3,019**	1,223	**3,019**	1,223
Other employment costs	**40**	33	**40**	24
	9,051	7,148	**8,956**	7,026

7 Expenses (continued)

	Consolidated entity		Parent entity	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Depreciation and amortisation expense				
Depreciation	**134**	231	**134**	231
Amortisation	**52**	41	**52**	41
	186	272	**186**	272
Occupancy costs				
Premises	**268**	224	**268**	224
Rates and taxes	**60**	31	**60**	31
Electricity, gas & telephone	**109**	105	**109**	105
Other occupancy costs	**48**	79	**48**	79
	485	439	**485**	439
Marketing and communication costs				
Printing and stationery	**159**	135	**145**	123
Marketing	**603**	872	**603**	872
	762	1,007	**748**	995
Fund related expenses				
Administration and custody	**2,447**	2,388	**221**	297
Licence fees	**315**	219	**258**	75
PDS expense	**5**	14	**4**	-
APRA levy	**88**	117	**-**	-
Other fund related expenses	**61**	32	**469**	428
	2,916	2,770	**952**	800
Other expenses				
Insurance	**115**	118	**48**	48
IT	**942**	863	**932**	863
Travel	**247**	272	**239**	270
Subscriptions and listing	**74**	38	**74**	38
Other expenses	**170**	212	**142**	181
	1,548	1,503	**1,435**	1,400
Total expenses	**16,662**	15,157	**14,092**	12,599

8 Income tax expense

(a) Income tax expense through profit or loss

	Consolidated entity		Parent entity	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Current tax expense	**2,135**	1,669	**1,114**	889
Under/(over) provision in prior year	**(44)**	-	**(44)**	(13)
Deferred tax benefit	**(483)**	(79)	**(465)**	(66)
	1,608	1,590	**605**	810

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated entity		Parent entity	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Profit from continuing operations before income tax benefit	**3,578**	4,133	**3,217**	2,494
Tax at the Australian tax rate of 30.0% (2014 - 30.0%)	**1,073**	1,240	**965**	748
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Non-deductible share based provisions	**442**	279	**442**	279
Non-deductible impairment of property, plant and equipment	**145**	85	**145**	85
Other non-taxable items	**(8)**	(1)	**(7)**	-
Non-taxable intercompany dividend from AES	**-**	-	**(896)**	(287)
Under/(over) provision in prior year	**(44)**	(11)	**(44)**	(13)
Net realised and unrealised losses on available-for-sale assets	**-**	(2)	**-**	(2)
Income tax expense	**1,608**	1,590	**605**	810

The applicable weighted average effective tax rates are as follows:

	45%	38%	19%	32%

(c) Amounts recognised directly in equity

	Consolidated entity		Parent entity	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Deferred tax: Employee share plan	**139**	-	**139**	-
Deferred tax: Revaluation of available-for-sale assets	**-**	(1)	**-**	(1)
	139	(1)	**139**	(1)

The current tax liabilities for the Group represents income taxes payable in respect of the current financial year. In accordance with tax consolidation legislation, the Company, as head entity of the Australian tax-consolidated group, has assumed the current tax asset/(liability) recognised by members in the tax consolidated group.

9 Current assets - Cash and cash equivalents

	Consolidated entity At		Parent entity At	
	30 June 2015 $'000	30 June 2014 $'000	**30 June 2015 $'000**	30 June 2014 $'000
Current assets				
Cash at bank	**20**	10	**15**	5
Deposits at call	**12,207**	7,940	**8,551**	3,474
	12,227	7,950	**8,566**	3,479

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Deposits at call is money invested in bank account earning interest. Interest is calculated daily based on daily bank deposit rates. The average interest rate for the Consolidated entity was 2.04% (2014: 2.41%). The average interest rate for the Parent entity was 2.21% (2014: 1.39%).

10 Non-current assets - Property, plant and equipment

Consolidated entity	**Land $'000**	**Buildings $'000**	**Leasehold improvements $'000**	**Plant and equipment $'000**	**Total $'000**
At 30 June 2014					
Cost	-	-	370	1,565	1,935
Accumulated depreciation	-	-	(36)	(1,440)	(1,476)
Net book amount	-	-	334	125	459
Year ended 30 June 2014					
Opening net book amount	-	-	314	306	620
Additions	-	-	50	37	87
Disposals	-	-	-	(92)	(92)
Depreciation charge	-	-	(30)	(126)	(156)
Closing net book amount	-	-	334	125	459

Consolidated entity	**Land $'000**	**Buildings $'000**	**Leasehold improvements $'000**	**Plant and equipment $'000**	**Total $'000**
At 30 June 2015					
Cost	230	1,785	1,117	374	3,506
Accumulated depreciation	-	(546)	(554)	(338)	(1,438)
Net book amount	230	1,239	563	36	2,068

10 Non-current assets - Property, plant and equipment (continued)

Consolidated entity	Land $'000	Buildings $'000	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Year ended 30 June 2015					
Opening net book amount	-	-	334	125	459
Additions	-	-	8	59	67
Reclassification of assets included in a disposal group classified as held for sale and other disposals (see Note 11)	230	1,728	280	-	2,238
Depreciation charge	-	(25)	(39)	(70)	(134)
Impairment loss	-	(464)	(20)	-	(484)
Write off	-	-	-	(78)	(78)
Closing net book amount	230	1,239	563	36	2,068

Parent entity	Land $'000	Buildings $'000	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
At 30 June 2014					
Cost	-	-	370	1,565	1,935
Accumulated depreciation	-	-	(36)	(1,440)	(1,476)
Net book amount	-	-	334	125	459
Year ended 30 June 2014					
Opening net book amount	-	-	314	306	620
Additions	-	-	50	37	87
Disposals	-	-	-	(92)	(92)
Depreciation charge	-	-	(30)	(126)	(156)
Closing net book amount	-	-	334	125	459

Parent entity	Land $'000	Buildings $'000	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
At 30 June 2015					
Cost	230	1,785	1,117	374	3,506
Accumulated depreciation	-	(546)	(554)	(338)	(1,438)
Net book amount	230	1,239	563	36	2,068
Year ended 30 June 2015					
Opening net book amount	-	-	334	125	459
Additions	-	-	8	59	67
Reclassification of assets included in a disposal group classified as held for sale and other disposals (see Note 11)	230	1,728	280	-	2,238
Depreciation charge	-	(25)	(39)	(70)	(134)
Impairment loss	-	(464)	(20)	-	(484)
Write off	-	-	-	(78)	(78)
Closing net book amount	230	1,239	563	36	2,068

11 Reclassification of assets classified as held for sale

In June 2013, the Company's management reclassified its Canberra property from "Non-current assets - Property, plant and equipment" to "Current assets - Assets classified as held for sale" to reflect its effort to sell the property. Over the past 2 years, the Company has had a comprehensive sales program to locate a buyer. Unfortunately despite continued efforts, the Company has been unable to sell the property. As a result of the depressed market, the Company feels that a sale is not probable in the short term.

Since 30 June 2014 the Canberra property market continued to soften with:

- Secondary rents falling further including units within the properties' immediate vicinity being offered at lower rents.
- Incentives across all precincts have increased significantly and on average, are moving towards a baseline of 25% for prime and 30%+ for secondary.
- Vacancy rates have continued to increase.
- Comparative sales have deteriorated.

As a result of the above factors at 31 December 2014, a valuation of the Canberra building was conducted by Jones Lang LaSalle and Knight Frank, independent valuers not related to the Group, to determine the fair value. Based on advice received from independent valuers, the Directors determined that the value of the property was below the carrying value and have recorded an impairment of $412,500.

During the subsequent six months the profile of leasing clients changed with further falls in secondary rents which were partly offset by a reduction in incentives offered. A valuation was conducted by Jones Lang LaSalle and based on this advice the Directors determined to record a further impairment of $71,749.

Valuers Jones Lang LaSalle and Knight Frank are both members of the Institute of Valuers of Australia. The valuation was determined by reference to recent market transactions on arm's length terms. Estimated selling costs of $75,000, including agent’s commission and associated legal costs, were deducted from the independent valuation to determine the carrying value.

In accordance with AASB13 *Fair Value Measurement*, the fair value category for the Canberra building input into the valuation techniques has been assessed as **Level 3**. The Company considers the market approach to valuing the building to be the most appropriate method of assessing the fair value. More specifically in arriving at its opinion of fair value, the Company has referred to the direct comparison and capitalisation of net income approach adopted by the independent Valuers.

The capitalisation of net income approach is based on estimates of net market rent, capitalised at an appropriate discount rate less estimates of the time required to lease the property, estimated leasing incentives and estimated agents fees. Significant quantitative unobservable inputs used in determining the fair value of the property include market rents, capitalisation rates, leasing downtime, leasing incentives and agents’ fees. These rates are based on feedback from independent Valuers based on the location, type and nature of the property along with current and anticipated market conditions.

Significant unobservable quantitative inputs used in determining the fair value as at 30 June 2015 include:

Unobservable Quantitative Inputs	Range	Average
Comparative sales	$1,700 - $1,900 psm	$1,800 psm
Building sizes	1,006.5 square meters	

12 Non-current assets - Intangible assets

Consolidated entity	**Capitalised website development $'000**
At 30 June 2014	
Cost	129
Accumulated amortisation	(46)
Net book amount	83
Year ended 30 June 2014	
Opening net book amount	95
Additions	29
Amortisation charge	(41)
Closing net book amount	83

Consolidated entity	
At 30 June 2015	
Cost	154
Accumulated amortisation	(97)
Net book amount	57
Year ended 30 June 2015	
Opening net book amount	83
Additions	26
Amortisation charge	(52)
Closing net book amount	57

Parent entity	**Capitalised website development $'000**
At 30 June 2014	
Cost	129
Accumulated amortisation	(46)
Net book amount	83
Year ended 30 June 2014	
Opening net book amount	95
Additions	29
Amortisation charge	(41)
Closing net book amount	83

12 Non-current assets - Intangible assets (continued)

Parent entity	Capitalised website development $'000
At 30 June 2015	
Cost	154
Accumulated amortisation	(97)
Net book amount	57
Year ended 30 June 2015	
Opening net book amount	83
Additions	26
Amortisation charge	(52)
Closing net book amount	57

13 Non-current assets - Deferred tax assets

	Consolidated entity		Parent entity	
	At		At	
	30 June 2015 $'000	30 June 2014 $'000	**30 June 2015 $'000**	30 June 2014 $'000
The balance comprises temporary differences attributable to:				
Other employee benefits	**342**	86	**342**	86
Audit fees	**66**	38	**36**	25
Community grants	**144**	92	**144**	92
Provision for employee leave	**220**	180	**220**	180
Total deferred tax assets	**772**	396	**742**	383

	Consolidated entity		Parent entity	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Movements:				
Opening balance	**396**	348	**383**	348
Charged/credited:				
- to profit or loss	**376**	48	**359**	35
Closing balance	**772**	396	**742**	383

14 Other non-current assets

	Consolidated entity At 30 June 2015 $'000	Consolidated entity At 30 June 2014 $'000	Parent entity At 30 June 2015 $'000	Parent entity At 30 June 2014 $'000
Investment in Australian Ethical Superannuation Pty Limited	**-**	-	**316**	316

15 Current liabilities - Trade and other payables

	Consolidated entity At 30 June 2015 $'000	Consolidated entity At 30 June 2014 $'000	Parent entity At 30 June 2015 $'000	Parent entity At 30 June 2014 $'000
Trade payables	**1,171**	1,446	**313**	540
Unearned income	**60**	61	**60**	61
Other payables	**1,960**	1,684	**1,557**	1,304
Employee bonus payable	**1,142**	285	**1,142**	285
	4,333	3,476	**3,072**	2,190

16 Provisions

	Consolidated entity At 30 June 2015 Current $'000	30 June 2015 Non-current $'000	30 June 2015 Total $'000	30 June 2014 Current $'000	30 June 2014 Non-current $'000	30 June 2014 Total $'000
Employee benefits - long service leave	**293**	**130**	**423**	232	94	326

	Parent entity At 30 June 2015 Current $'000	30 June 2015 Non-current $'000	30 June 2015 Total $'000	30 June 2014 Current $'000	30 June 2014 Non-current $'000	30 June 2014 Total $'000
Employee benefits - long service leave	**293**	**130**	**423**	232	94	326

17 Issued capital

(a) Share capital

		Consolidated and Parent Entity At			
	Notes	**30 June 2015 Shares**	30 June 2014 Shares	**30 June 2015 $'000**	30 June 2014 $'000
Ordinary shares - fully paid	17(b), 17(c)	**1,053,818**	1,023,147	**7,004**	6,432

The Company does not have authorised capital or par value in respect of its issued shares.

(b) Movements in ordinary share capital

Details	Notes	Number of shares	$'000
Opening balance - 1 July 2013		1,015,086	6,278
Employee share scheme issues	17(d)	8,061	154
Closing balance - 30 June 2014		1,023,147	6,432
Opening balance - 1 July 2014		1,023,147	6,432
Employee share scheme issues	17(d)	30,671	572
Closing balance - 30 June 2015		1,053,818	7,004

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Employee share scheme

Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in Note 26.

For information related to rights and shares issued to key management personnel during the financial year refer to the remuneration report contained within the Directors' report.

14,924 shares are considered to be Treasury shares as the Employee Share Plan Trust is defined as an agent of the Company. No value is attributed to these shares.

(e) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2014.

The capital structure of the Group consists of equity of the Group (comprising issued capital, reserves, and retained earnings).

17 Issued capital (continued)

(e) Capital management (continued)

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of distributions to shareholders and share issues. The Group has external capital requirements and at all times during the year the Group has met all externally imposed capital requirements. Further details on the external capital requirements are contained in Note 3(d).

18 Reserves and retained earnings

(a) Reserves

	Consolidated entity At		Parent entity At	
	30 June 2015 $'000	30 June 2014 $'000	**30 June 2015 $'000**	30 June 2014 $'000
Share-based payments	**2,022**	1,122	**2,022**	1,122
Other reserves	**316**	(4)	**316**	(4)
	2,338	1,118	**2,338**	1,118

	Consolidated entity		Parent entity	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Movements:				
Share-based payments reserve				
Opening balance	**1,122**	345	**1,122**	345
Employee share plan expense	**1,472**	931	**1,472**	931
Issue of shares held by entity to employees	**(572)**	(154)	**(572)**	(154)
	2,022	1,122	**2,022**	1,122
Other - Asset revaluation reserve				
Opening balance	**(4)**	4	**(4)**	4
Net loss on revaluation of available-for-sale financial assets	**-**	(1)	**-**	(1)
Net realised loss on available-for-sale financial assets	**-**	(7)	**-**	(7)
Write-off of available-for-sale financial assets	**4**	-	**4**	-
	-	(4)	**-**	(4)
Other - Employee share plan reserves				
Employee share plan - Deferred	**316**	-	**316**	-
	316	-	**316**	-

Nature and purpose of reserves

Rights reserve
The share-based payment reserve relates to rights granted by the Group to its employees under its previous share-based payment arrangements. Items included in the share-based payment reserve will not be reclassified subsequently to profit or loss. Further information about share-based payments to employees is set out in Note 26.

18 Reserves and retained earnings (continued)

(a) Reserves (continued)

Asset revaluation reserve
The asset revaluation reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to the Consolidated Statements of Comprehensive Income when those assets have been disposed of or are determined to be impaired.

Share-based payment reserve
This reserve relates to shares granted by the Group to its employees under its current share-based payment arrangement. Items included in the rights reserve will not be reclassified subsequently to profit or loss. Further information about the new share-based payments to employees is set out in Note 26.

(b) Retained earnings/accumulated losses

Movements in retained earnings/(accumulated losses) were as follows:

	Consolidated entity		Parent entity	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Opening balance - 1 July	**1,933**	669	**(337)**	(742)
Net profit for the year	**1,970**	2,543	**2,612**	1,684
Dividends	**(2,089)**	(1,279)	**(2,089)**	(1,279)
Transfer of reserve due to write off of financial assets	**(4)**	-	**(4)**	-
Closing balance - 30 June	**1,810**	1,933	**182**	(337)

19 Dividends

	Consolidated entity		Parent entity	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
a) Ordinary shares				
Interim dividend for the current financial year	**843**	819	**843**	819
Final dividend for the prior financial year	**1,246**	460	**1,246**	460
	2,089	1,279	**2,089**	1,279

(b) Dividends not recognised at the end of the reporting period

	Consolidated entity		Parent entity	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
In addition to the above dividends, since year end the Directors have declared a final dividend of 120 cents per fully paid ordinary share (2014: 120 cents), fully franked based on tax paid at 30%. The aggregate amount of the declared dividend expected to be paid on 30 September 2015 out of profits for the year ended at 30 June 2015, but not recognised as a liability at year end, is	**1,265**	1,246	**1,265**	1,246

19 Dividends (continued)

(c) Dividend rate

Dividends declared and/or paid fully franked at 30% tax rate in respect of the corresponding financial year

	Cents per share	Total Amount	Date of Payment	% Franked
2015				
Ordinary shares - 2015 interim	80	$843,054	27/03/2015	100
Ordinary shares - 2014 final	120	$1,246,676	03/10/2014	100
2014				
Ordinary shares - 2014 interim	80	$818,522	28/03/2014	100
Ordinary shares - 2013 final	45	$460,416	04/10/2013	100

20 Key management personnel disclosures

The specified Directors of Australian Ethical Investment Limited and its Controlled Entities during the financial year were:

Parent entity directors

Name	Position
Stephen Gibbs	Chairperson, non-executive
Mara Bun	Director, non-executive
Tony Cole	Director, non-executive
Kate Greenhill	Director, non-executive
Phil Vernon	Managing Director & Chief Executive Officer, executive

Other key management personnel

Name	Position
David Barton	Chief Financial Officer
Adam Kirk	General Manager, Business Development
David Macri	Chief Investment Officer
Tom May	General Counsel & Company Secretary
Stuart Palmer	Head of Ethics & Corporate Advocacy

Departed management

Name	Position
Paul Smith (resigned 28/11/2014)	General Manager, Strategy & Communications

20 Key management personnel disclosures (continued)

(a) Key management personnel compensation

	Consolidated entity		Parent entity	
	2015	2014	**2015**	2014
	$	$	**$**	$
Short-term employee benefits	**1,994,192**	1,830,107	**1,910,221**	1,766,239
Post-employment benefits	**142,840**	156,522	**134,863**	150,457
Long-term benefits	**44,420**	37,269	**44,420**	37,269
Share-based payments	**249,251**	83,309	**249,251**	83,309
	2,430,703	2,107,207	**2,338,755**	2,037,274

21 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

(a) KPMG Australia

(i) Audit and other assurance services

	Consolidated entity		Parent entity	
	2015	2014	**2015**	2014
	$	$	**$**	$
Audit services for the consolidated entity and subsidiaries				
Audit and review of consolidated and subsidiary financial statements	**32,710**	31,700	**27,450**	26,600
Audit services in accordance with regulatory requirements	**40,480**	35,600	**36,250**	31,500
	73,190	67,300	**63,700**	58,100
*Audit services for non-consolidated trusts and superannuation fund **				
Audit and review of managed funds for which the Company acts as Responsible Entity	**109,290**	109,400	**109,290**	109,400
Audit and review of superannuation fund for which the subsidiary entity acts as Responsible Superannuation Entity	**21,160**	20,500	**-**	-
Audit services in accordance with regulatory requirements	**46,030**	49,600	**-**	-
	176,480	179,500	**109,290**	109,400
Total remuneration for audit services	**249,670**	246,800	**172,990**	167,500
Taxation services				
Tax and other accounting services	**68,299**	111,708	**68,299**	111,708
Total remuneration of KPMG Australia	**317,969**	358,508	**241,289**	279,208

* These fees are incurred by the Company and are effectively recovered from the funds via management fees.

22 Related party transactions

(a) Ultimate parent entity

Name	Type	Place of incorporation
Australian Ethical Investment Limited	Public company	Australia

(b) Subsidiaries

Interests in subsidiaries are set out in Note 24.

(c) Transactions with other related parties

The following transactions occurred with related parties:

	Consolidated entity		Parent entity	
	2015	2014	**2015**	2014
	$	$	**$**	$
Australian Ethical Trusts				
Australian Ethical Investment Limited provides investment services and administration to the Australian Ethical Trusts in accordance with the trust deed	**21,625,739**	15,978,015	**21,625,739**	15,978,015
Australian Ethical Retail Superannuation Fund				
Australian Ethical Superannuation Pty Limited provides investment services/ (rebate of investment services) to the Australian Ethical Retail Superannuation Fund	**(14,491,963)**	(8,549,666)	**-**	-
Australian Ethical Superannuation Pty Limited provides Administration/Trustee services to the Australian Ethical Retail Superannuation Fund	**11,959,605**	10,652,828	**-**	-
Australian Ethical Superannuation Pty Limited provides Member Administration services to the Australian Ethical Retail Superannuation Fund	**1,675,403**	1,442,946	**-**	-
Australian Ethical Superannuation Pty Limited				
Service fee paid to Australian Ethical Investment Limited	**-**	-	**7,954,852**	7,197,435
Dividends paid to Australian Ethical Investment Limited	**-**	-	**2,988,213**	956,228
Director fees paid by Australian Ethical Investment Limited	**-**	-	**92,836**	105,038
Transactions between Australian Ethical Superannuation Pty Limited and its parent entity under the tax consolidation and related tax sharing agreement referred to in Note 2(d)	**-**	-	**1,004,218**	779,920

22 Related party transactions (continued)

(c) Transactions with other related parties (continued)

Transactions between related parties are on commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(d) Outstanding balances

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	Consolidated entity At		Parent entity At	
	30 June 2015 $	30 June 2014 $	**30 June 2015 $**	30 June 2014 $
Investment held in Australian Ethical Superannuation Pty Limited	**-**	-	**316,000**	316,000
Amounts receivable from the Australian Ethical Trusts	**1,056,974**	1,689,795	**1,056,974**	1,689,795
Amounts receivable from the Australian Ethical Retail Superannuation Fund	**720,066**	888,253	**-**	-
Amounts receivable from the Australian Ethical Superannuation Pty Limited	**-**	-	**697,408**	1,485,318
Amounts payable to Australian Ethical Superannuation Pty Limited	**-**	-	**-**	26,788

(e) Terms and conditions

Transaction between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

No provision for doubtful debts has been raised in relation to any outstanding balances and no expense has been recognised in respect of bad or doubtful debts due from related parties.

Outstanding balances are unsecured and are repayable in cash.

23 Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated entity		Parent entity	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Profit for the year	**1,970**	2,543	**2,612**	1,684
Adjustments to operating profit:				
Depreciation and amortisation	**186**	272	**186**	272
Loss on disposal of property, plant & equipment	**74**	15	**74**	15
Loss on write-off of property, plant & equipment	**11**	-	**11**	-
Tax effect of sale of investments recognised in financing activities	**-**	(1)	**-**	(1)
Non-cash employee benefits expense - share-based payments	**1,649**	931	**1,648**	931
Impairment loss	**484**	282	**484**	282
Recognition of unearned income	**(61)**	(71)	**(61)**	(71)
Dividends received from subsidiary classified as investing activity	**-**	-	**(2,988)**	(956)
Change in operating assets and liabilities:				
Decrease/(increase) in trade and other receivables	**966**	(271)	**1,418**	(1,890)
Decrease/(increase) in other current assets	**39**	(142)	**53**	(139)
Decrease in deferred tax assets	**(515)**	(48)	**(497)**	(35)
Increase in trade and other payables	**857**	1,559	**882**	872
Increase in current tax liabilities	**697**	349	**357**	390
Decrease in deferred tax liabilities	**(1)**	(30)	**(1)**	(30)
Increase/(decrease) in provisions	**97**	(25)	**97**	(57)
Net cash inflow from operating activities	**6,453**	5,363	**4,275**	1,267

24 Subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows.

Name of the subsidiary	**Principal activity**	**Place of incorporation and operation**	**Proportion of ownership interest and voting power held by the Group**
Australian Ethical Superannuation Pty Limited	Trustee of the Australian Ethical Retail Superannuation Fund	Australia	100%
Australian Ethical Investment Limited Employee Share Plan Trust	Employee deferred share plan trust	Australia	100%

25 Events occurring after the reporting period

Between 30 June 2015 the following events occurred that may significantly affect the Group:

- On 31 August the following shares were issued:

  - 11,659 shares were issued to the Employee Share Trust for employee long term incentives;

  - 11,899 shares were issued in respect of the vesting of STI performance rights (AEFAG);

  - 16,834 shares were issued in respect of the vesting of LTI performance rights (AEFAC).

- On 31 July the administration fee on the Superannuation fund was reduced from 0.93% to 0.63%. This reduction will impact revenues in 2015/16.

- A new subsidiary company, Australian Ethical Foundation Ltd was established which going forward will receive and administer the Group's community grants.

The Group's fees are primarily based on its funds under management which in turn is impacted by changes in equity markets.

Other than as outlined in this report, no matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

26 Share-based payments

The following share-based payment arrangements existed as at 30 June 2015.

(a) Performance rights

Under the Australian Ethical Investment Limited employee share incentive scheme (ESIS) that existed until August 2014, participants were granted performance rights to ordinary shares, subject to meeting specified performance criteria over the performance period. The number of shares that the participant will ultimately receive will depend on the extent to which the performance criteria are met by the Group and the individual employee. These rights were issued for nil consideration. These rights hold no voting or dividend rights. Subject to the terms and conditions of the ESIS rules, the performance rights have the following attributes determining whether shares will be issued in respect of the rights.

Performance rights granted during the year:

ASX Code	Number Granted	Attributes
AEFAC	16,834	i) employment must continue until 30 June 2015. ii) the average return on equity over the performance period ("AROE") must exceed 15%pa or no shares shall be awarded at the end of the performance period; - if the AROE exceeds 15%pa but less than 20%pa, half the maximum number of shares shall be awarded; - if the AROE is equal to or greater than 20%pa the maximum number of shares shall be awarded. AROE is determined as the average of return on equity over six month periods calculated using audited half-year financial statements.

26 Share-based payments (continued)

(a) Performance rights (continued)

ASX Code	Number Granted	Attributes
AEFAE	16,879	i) employment must continue until 30 June 2016. ii) the average return on equity over the performance period ("AROE") must exceed 15%pa or no shares shall be awarded at the end of the performance period; - if the AROE exceeds 15%pa but less than 20%pa, half the maximum number of shares shall be awarded; - if the AROE is equal to or greater than 20%pa the maximum number of shares shall be awarded. AROE is determined as the average of return on equity over six month periods calculated using audited half-year financial statements.
AEFAG	11,899	employment must continue until 1 July 2015.

Parent entity	**2015 Number of options**	2014 Number of options
As at 1 July	**54,056**	45,043
Granted during the year	**11,899**	29,614
Forfeited during the year	**(5,855)**	(4,147)
Exercised during the year	**(15,745)**	(8,061)
Expired during the year	**-**	(8,393)
Other adjustment	**1,257**	-
As at 30 June	**45,612**	54,056
Vested and exercisable at 30 June 2015	**11,899**	10,693

Performance rights summary

Rights Class	Performance Period	Grant date	Vesting date	No. Granted	No. Forfeited	No. Vested	No. Expired	Balance
AEFAA	FY12-FY14	2012	30/06/2014	19,195	(15,400)	(3,795)	-	-
AEFAC	FY13-15	2013	30/06/2015	23,357	(6,523)	-	-	16,834
AEFAE	FY14-16	2014	30/06/2016	17,955	(1,076)	-	-	16,879
AEFAF	FY13	2014	30/06/2014	11,950	-	(11,950)	-	-
AEFAG	FY15	2014	30/06/2015	11,899	-	-	-	11,899

(i) Fair value of rights granted

All rights were calculated at grant date based on the underlying share prices minus estimated net present value of future dividends that the holders of rights are not entitled to.

Included under employee benefits expense in the Consolidated Statements of Comprehensive Income is $1,648,718 (2014: $930,557) relating to rights issued under the employee share ownership plan.

26 Share-based payments (continued)

(b) Deferred shares

Under the long term incentive scheme introduced in 2014, participants are granted shares subject to meeting specified performance criteria over the performance period. The number of shares that the participant receives is determined at the time of grant with the shares being held in trust. These shares are issued for nil consideration. The shares have voting rights and employees receive dividends. Subject to the terms and conditions of the incentive scheme the deferred shares have the following attributes determining whether they will vest.

Deferred shares are held in an Employee Share Trust until vesting conditions are met.

Number to be Granted	Attributes
11,659	i) employment must continue until July 2018 ii) the number of shares that will be issued to an employee is fixed at the grant date iii) 50% of the shares are subject to the following hurdle: (a) if the compound earnings per share ('EPS') growth over 3 years is less than 5%, no shares will vest (b) if the compound EPS growth over 3 years is greater than 10%, 100% will vest (c) if the compound EPS growth over 3 years is greater than 5% and less than 10%, then pro rata amount will vest on a straight line basis (d) the compound average growth rate on earnings per share is determined as the average EPS over six month periods calculated using audited half-year financial statements iv) the performance period is the financial years 2015/16, 2016/17 and 2017/18.

27 Earnings per share

(a) Basic earnings per share

	2015 Cents	2014 Cents
From continuing operations attributable to the ordinary equity holders of the Company	**190.00**	248.51

(b) Diluted earnings per share

	2015 Cents	2014 Cents
From continuing operations attributable to the ordinary equity holders of the Company	**180.69**	241.13

27 Earnings per share (continued)

(c) Weighted average number of shares used as denominator

	2015 Number	2014 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**1,036,821**	1,023,103
Adjustments for calculation of diluted earnings per share:		
Weighted average number of rights outstanding	**53,418**	31,315
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**1,090,239**	1,054,418

28 Commitments and contingencies

(a) Operating leases

Operating leases relate to leases of office premises for a term of 5 years. The Group does not have an option to purchase the premises at the expiry of the lease period.

	Consolidated entity		Parent entity	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Non-cancellable operating lease commitments				
Within one year	**232**	223	**232**	223
Later than one year but not later than five years	**431**	663	**431**	663
	663	886	**663**	886
Payments recognised as an expense				
Minimum lease payments recognised as an expense	**234**	208	**234**	208
	234	208	**234**	208
Liabilities recognised in respect of non-cancellable operating leases				
Lease incentives				
Current	**61**	61	**61**	61
Non-current	**141**	202	**141**	202
	202	263	**202**	263

(b) Guarantees

The Group has provided a guarantee for $221,733 over the rental of building premises at 130 Pitt Street.

(c) Other commitments

The Group has no other commitments and contingent assets and liabilities as at 30 June 2015.

Directors' declaration

1 In the opinion of the directors of Australian Ethical Investment Limited and its Controlled Entities:

(a) the consolidated financial statements and notes that are set out on pages 25 to 64 and the Remuneration report in sections to in the Directors' report, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2015.

3 The directors draw attention to Note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Phil Vernon
Managing Director and Chief Executive Officer

Sydney
28 August 2015